

## REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Quicksilver Resources  
777 W. Rosedale, Suite 300  
Fort Worth, TX 76104

Township 36 North, Range 4 West  
Section 26: NE $\frac{1}{4}$   
160.00 Acres  
Toole County

State Tract  
Section 26: E $\frac{1}{2}$ NE $\frac{1}{4}$ , 80.00 Acres  
Common Schools Trust = 100%

Quicksilver Resources, has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

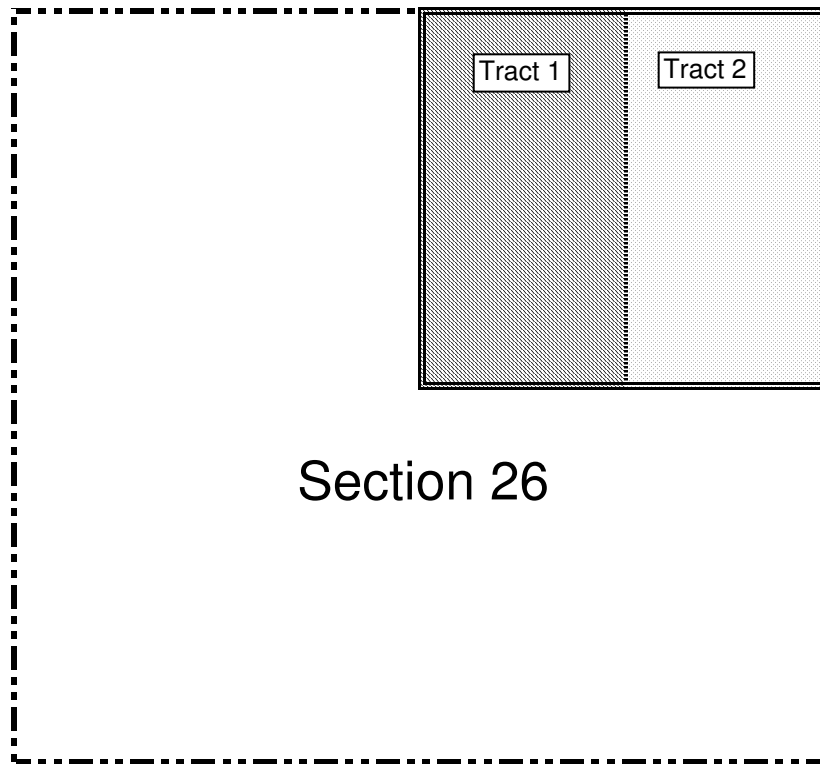
A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The Gillespie 26-2 well, which is a Swift formation gas well, was drilled in the NW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 26. This spacing unit has a total of 160.00 acres. The Department owns 80.00 acres of the 160.00 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes only the Swift formation in Section 26.

The Department's tract comprises 50% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 6.50% of all oil production (13% royalty rate x 50% tract participation), and 6.25% of Gas production (12.5% royalty rate x 50% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

# Township 36 North, Range 4 West



## Section 26

### Recapitulation

<i>Tract No.</i>	<i>Type</i>	<i>Acres</i>	<i>Tract Participation</i>	<i>Royalty %</i>	<i>Owners Interest Decimal</i>
1	Fee	80.00	50.00%	12.50%	0.0625%
2	State of Montana	80.00	50.00%	13.00% Oil	0.0650%
	OG-33075-98			12.50% Gas	0.0625%
Total		160.00	100.00%		